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Statement to the Asia and the Pacific Subcommittee of the
House International Relations Committee

on

“East Asia in Transition: Opportunities and Challenges for the United States”

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Introduction

Mr. Chairman, members of the Subcommittee, I am very pleased to appear before you to give an overview of the East Asia-Pacific region.

No other part of the globe holds greater potential benefits and challenges for the United States than East Asia - Pacific. The region is home to some of our most stalwart security and trade partners, to an established power – Japan – and a rising power – China – and to a political and economic dynamism that is the envy of other regions. The region accounts for nearly a third of the Earth’s population; a quarter of global GDP; a disproportionate share of global growth; and 26 percent of our exports, including about 37 percent of our agricultural exports – in all, some \$810 billion in two-way trade with the U.S. In every regard – geopolitically, militarily, diplomatically, economically, and commercially – East Asia is vital to the national security interests of the United States.

I have completed almost a full year as Assistant Secretary for East Asian and Pacific Affairs, and in that time I have traveled the length and breadth of region. I found to be undergoing a dynamic wave of transformation from its Cold War posture, when it was primarily a region of individual countries aligned politically and economically with one bloc or another, toward an as-yet undefined, new political and economic structure. I can also report to you that the U.S. is energetically engaged throughout the region in advancing our diplomatic, security, commercial, humanitarian, and democracy-promotion agendas. During my travels, I witnessed several positive characteristics of this transformation that bode well for the future.

Prosperity/Economic Opportunity

One evident aspect of the transformation is the upward curve in prosperity and economic opportunity. Eight of the world's ten fastest growing economies are found in the region, fueled by China’s rapid development and by broad recovery among ASEAN countries from the financial crisis of the late 1990s. Income levels have climbed, and extreme poverty has, on the

whole, declined. Regional economies are moving toward greater economic openness, lower trade barriers, and regional cooperation and now account for a large and increasing portion of world trade. Their support for the WTO Doha Development Agenda has played a critical role in advancing the negotiations.

Regional Cooperation

Another major trend in evidence is that East Asia-Pacific is also coming together as a region. We are witnessing expanding regional cooperation – politically, economically and culturally – through the region’s major institutions, such as ASEAN, APEC, the ASEAN Regional Forum, the Pacific Island Forum, and the Pacific Community.

Stability, Security and Peace

I also witnessed during my travels that today East Asia-Pacific is largely at peace. The region has not seen a single major military conflict for more than twenty-five years. Notwithstanding occasional terrorist attacks, we have seen a widespread rejection of terrorism. Historic enmities lie below the surface, but they have been kept in check by growing mutual interests promising advantages for all sides.

Democracy

On the democracy front, the transformation in the East Asia-Pacific region has been in a very positive direction. Since January 2004, successful elections have taken place not only in established democracies – Australia, Japan, Malaysia, Mongolia, New Zealand, the Philippines, South Korea, Taiwan, and Thailand – but also in newly democratic Indonesia, the world’s most populous Muslim-majority nation.

Transformational Diplomacy

We have the opportunity now to support this transformation in directions that are mutually beneficial. President Bush, in his Second Inaugural Address, laid out a vision of the direction America should take in doing so when he said, "It is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture with the ultimate goal of ending tyranny in our world."

To make our diplomacy more effective in realizing the President's vision, Secretary of State Rice has embarked on a program to revise the way the State Department does its work. She has termed this "Transformational Diplomacy." In her January 18 address to the Georgetown School of Foreign Service, she defined the objective of Transformational Diplomacy as "work[ing] with our many partners around the world to build and sustain democratic, well-governed states that will respond to the needs of their people and conduct themselves responsibly in the international system." Integral to this effort is a broad and vigorous program of public diplomacy -- promoting the national interest and the national security of the United States through understanding, informing, and influencing foreign publics and broadening dialogue between American citizens and institutions and their counterparts abroad.

The East Asia-Pacific Bureau is already benefiting from the Secretary's transformational diplomacy initiative, in that the Department has recently increased the number of positions in our posts in the region by 23 -- 15 in China, five in Indonesia, and three in Vietnam -- and has begun organizing more training opportunities in critically needed regional languages. We will be working over the next few months to develop plans and proposals to support other aspects of Transformational Diplomacy, possibly including additional American Presence Posts, like the one already operating in Medan, Indonesia, where one of our best diplomats moves outside the Embassy to live and work and represent America. This is the beginning of a long-term commitment to increase our presence on the front lines of diplomacy, where it is needed the most.

Engagement with China

In considering the tasks embodied in the objective of Transformational Diplomacy -- to promote democracy, good governance, and responsibility in the international system -- no effort offers greater potential challenges or rewards than engagement with China.

The success we have in achieving our long-term strategic vision in East Asia will depend in large measure on the direction China takes in the future as an emerging regional and global power. The United States would welcome a confident, peaceful, and prosperous China. We want to see China become a responsible stakeholder in the international system, and we are working toward that end.

One of the key challenges before us is how we interact with China as an emerging regional and global power in ways that simultaneously enhance our bilateral relationship and have a beneficial impact on the security and development of our friends and allies. We have worked hard to develop a relationship that lets us cooperate whenever possible but still allows us to communicate in a candid and direct fashion to address common challenges -- regional and global, economic and political. Deputy Secretary Zoellick's Senior Dialogue is at the forefront of our efforts to engage China in ways that move it in the direction of becoming a responsible regional and in some ways global actor -- on Korea, Iran, counter-terrorism, peacekeeping operations, or resources, especially energy.

We also look forward to the upcoming visit of President Hu Jintao to Washington in April. We expect that President Hu will want to build on what we hope will be a successful Joint Commission on Commerce and Trade that deals with intellectual property rights, market opening, and China's commitment to Doha Development goals, among other issues. And we also expect to engage with President Hu on a broad range of human rights and religious freedom topics that Assistant Secretary for Human Rights and Democracy Barry Lowenkron discussed with his PRC counterparts in February.

This doesn't mean that we overlook or paper over our real differences in areas such as Taiwan, Hong Kong, human rights, or the bilateral economic relationship. Our agenda with China is wide-ranging and complex. We'll continue to disagree on a number of important issues, but we can ill afford not to move toward expanding common interests.

Engagement with Southeast Asia

Like China, Southeast Asia is in a state of transformation, with many countries advancing well along the road of economic development and prosperity. Southeast Asia offers fertile ground for our transformational diplomacy efforts to support reforms being undertaken by the peoples of the region that will promote democracy and good governance, foster broad-based and sustainable economic development, strengthen their societies, and make them stronger partners.

Indonesia

A case in point is Indonesia. I just returned from a very positive visit to Jakarta in advance of the Secretary's first visit there next week. During her

trip the Secretary wishes to highlight the outstanding democratic progress made by this, the world's largest majority-Muslim nation.

Since the fall of Suharto in 1998, Indonesia has emerged from over three decades of authoritarian rule to become the world's third-largest democracy. In 2004, Mr. Yudhoyono became Indonesia's first-ever directly elected president. He has launched an ambitious reform agenda and is working to fight corruption and strengthen Indonesia's young democratic institutions, while creating conditions for sustained economic growth, which is essential to the country's development and stability. In Aceh province, President Yudhoyono's administration has already worked to bring Indonesia's longest-running conflict to an end. The many other challenges before him are enormous, including eradicating widespread poverty, addressing public health concerns such as avian flu, promoting religious tolerance in the world's most populous majority Muslim country, and accounting for past abuses by security forces. The U.S. is committed to helping him meet these and other challenges through a five-year strategy aimed at strengthening democratic and decentralized governance, improving the quality of basic education, supporting the delivery of higher quality basic human services, and strengthening economic growth to generate employment in the country.

The tsunami disaster contributed to closer bilateral relations by showing America in a new light to all Indonesians, and by raising awareness of Indonesia's importance as an emerging democracy. Our massive humanitarian response, including the use of our military forces for emergency relief, sent a clear message that whatever stereotype they held of us before was flawed. They have a new picture of us now, one that allows a more open relationship. They also know that we are continuing to work closely with the countries concerned and the international community on long-term reconstruction assistance.

With the door now open to closer relations, we have launched a program to assist Indonesia to continue its democratic transformation. One focus of our effort is to modernize and professionalize the Indonesian military to help it learn its proper role in a democracy. We are also deeply involved in helping the Indonesian Government implement the peace agreement and bring about reconciliation in Aceh, and we are working closely with Indonesian authorities to track down and eliminate terrorist organizations trying to make inroads into the society.

Cambodia

Over the past 15 years, we have invested considerable time, effort, and resources into helping the Cambodian people recover from the horrors of the Khmer Rouge regime and build a dynamic, free society. We continue to care deeply about developments in Cambodia, and thus have welcomed recent positive steps the Prime Minister has taken to resume constructive political dialogue with the opposition and Cambodia's active civil society. Continued progress in strengthening democracy and human rights will enable us to build on our already-strong cooperation with Cambodia in other areas.

Vietnam

The APEC Leaders' Meeting in November will highlight both Vietnam's emergence as a dynamic regional power and our increasingly warm bilateral relationship. The energy, dynamism, and hunger for progress are palpable in Vietnam. We welcome the country's impressive efforts to integrate fully into regional institutions and the global economy and to institute reforms that improve its peoples' lives. Prime Minister Pham Van Khai's 2005 visit to Washington reflected the significant improvement in bilateral relations. Vietnam has redoubled its efforts to join the WTO in 2006 and intensified cooperation on health issues like combating HIV/AIDS and avian and pandemic influenza. While serious human rights and religious freedom issues remain, Vietnam has taken significant steps toward improving its record, and we continue working together through mechanisms like the U.S.-Vietnam Human Rights Dialogue. As host of APEC 2006 and an increasingly important trading nation, Vietnam is taking a more active role in the region.

Burma

While our relations with most of the Southeast Asian countries are on the upswing, that is not the case in Burma, where a xenophobic military regime has turned the country from one of Asia's richest into one of its poorest. We are working with our partners in Europe and Asia, and at the UN, to intensify pressure on the regime to release political prisoners and initiate a credible and inclusive political process that empowers the Burmese people to determine their own future. This genuine dialogue is the only way to begin comprehensively addressing Burma's myriad problems, many of which will not stay within its borders, and to help the people of Burma join the overall positive trends in the region. We strongly support the renewal of the Burma Freedom and Democracy Act, as now is not the time for us to consider pulling back our sanctions in the face of the regime's increasing repression.

Engagement with Northeast Asia

While in Southeast Asia we will focus on promoting democracy, good governance, and responsible behavior in the international community, our relationships with the countries of Northeast Asia offer a different set of goals. Japan and Republic of Korea are strong democracies with strong economies, while Mongolia has had a democratically elected government for over 15 years and is developing steadily.

On the other hand, North Korea has isolated itself, and the Pyongyang regime continues to challenge the international community through its pursuit of nuclear weapons. To deal with this challenge, we established the Six-Party Talks framework aimed at obtaining the dismantlement of North Korea's nuclear programs in a permanent, thorough and transparent manner. We were pleased to achieve agreement on a Joint Statement of Principles in September 2005, which lays out steps for all sides to take toward the goals of denuclearization and Northeast Asian integration and prosperity. We remain ready and eager to resume discussions without conditions on implementing the principles in the Joint Statement. The United States has made clear that the resolution of the nuclear issue would offer an opportunity to end North Korea's isolation and improve the plight of its long-suffering people. Our relations with North Korea are unlikely to thaw until the Pyongyang regime makes the strategic decision to forego nuclear weapons and end the country's isolation.

In addition to a de-nuclearized Korean Peninsula, there are a number of important common interests the United States shares with Japan, Korea, and China, including energy security and environmental protection. We are urging the three to not let history issues prevent them from cooperating on issues of mutual benefit.

Elsewhere in the region, we continue to work through all appropriate channels with both Taipei and Beijing to ensure peace and stability in the Taiwan Strait. In accordance with our one China policy, the three Joint Communiqués with China, and the Taiwan Relations Act, we oppose unilateral changes by either side to the status quo. We do not support Taiwan independence, and we oppose the use or threat of force by Beijing. We believe that a reduction in tensions and an ultimate peaceful resolution of cross-Strait differences requires Beijing to engage in meaningful dialogue with Taiwan's democratically elected leaders in the near future.

Engagement with the Pacific

With so much happening in East Asia, we tend to overlook the problems and progress of the smaller island countries of the Pacific. But the United States has real interests in the region, not the least of which involve our relations with the Freely Associated States (FAS), where, under the Compacts of Free Association, the U.S. Government continues to show its commitment to former territories through dozens of programs valued at millions of dollars. We have military interests in the region; the Reagan Missile Test Facility on Kwajalein Atoll is a prime example. We enlist the small Pacific Island states to help combat transnational crimes like human trafficking, money laundering, the selling of passports and citizenship, and other activities that could give terrorism footholds in the region. Many of these small island nations consistently support U.S. initiatives in the United Nations and elsewhere; several have sent forces to support us in Iraq and Afghanistan.

Engagement with Regional Organizations

As I noted earlier, one of the favorable trends in the Asia-Pacific region is toward greater regional cooperation, which includes the development of regional organizations. We are broadening our engagement with these organizations to address mutual issues that can better be resolved multilaterally.

We are deeply involved in the Asia-Pacific Economic Cooperation (APEC) forum, an association of 21 economies bordering the Pacific Ocean that are working cooperatively to enhance the security and prosperity of our region. For the United States, APEC is the key institution for pursuing trade and investment liberalization and addressing issues that demand multi-lateral cooperation, such as confronting the threat of an avian influenza pandemic and regional security. At the annual APEC Summit in November 2005, President Bush affirmed that APEC is the premier forum in the Asia-Pacific region for addressing economic growth, cooperation, trade, and investment.

The U.S. is an enthusiastic participant in the ASEAN Regional Forum (ARF) -- the region's only broadly inclusive institution dedicated to security issues -- as it moves to stimulate cooperation on a wide range of nontraditional security threats, including maritime security, terrorism, nonproliferation, and cyber security.

When the President met with ASEAN leaders attending the APEC Summit in November, they agreed to develop an ASEAN-U.S. Enhanced Partnership. We

have begun discussions with ASEAN governments on the Partnership, which will include new cooperation on political/security, economic, and socio-cultural issues.

We actively assist Pacific area programs, primarily through regional organizations like the Secretariat of the Pacific Community and the Pacific Island Forum, by providing economic, technical, and development support to the 22 nations and territories of the Pacific. These are the primary organizations through which we work to combat Avian Flu and HIV/AIDS, strengthen maritime security, enhance air and seaport security, protect fisheries and coral reefs, and maintain agricultural diversity in an area comprising more than a quarter of the earth's surface.

We will continue to watch the East Asia Summit (EAS) to gain an understanding of its relationship to the regional fora which we actively support and participate in and our goals for the region.

Economic Engagement

Our economic challenge in East Asia and the Pacific is to open markets, facilitate trade, promote transparency, fight corruption, and support efforts to combat poverty and promote sustained growth. The United States is actively reaching out to the dynamic economies of the region. We have completed Free Trade Agreements with Australia and Singapore, are currently negotiating one with Thailand, and recently announced the beginning of FTA negotiations with the Republic of Korea. And I am pleased today to announce that we are beginning FTA negotiations with Malaysia. Our Bilateral Trade Agreement with Vietnam, serving as a stepping stone for its prospective WTO membership and full integration into the global economy, has been a catalyst for economic growth and development in that country. We are also working effectively through APEC and other regional multilateral fora to create opportunities for American business and enhance the prosperity of the region.

Our economic engagement in the region must take into account the effects of the growth of China's massive economy. China has made considerable strides since its WTO accession in opening its markets, and many American businessmen today find it easier to trade and invest there. However, we continue to have serious and growing concerns, especially with respect to foreign exchange and currency, IPR enforcement, standards, transparency, and services. Moreover, our trade deficit with China has climbed to over \$200 billion, and China needs to take actions that will level the playing field for American companies trading in the PRC -- a key

subject of USTR's recently concluded Top-to-Bottom Review. It is essential that China's continuing evolution -- and its eventual adoption of a market-based exchange rate regime -- leads to even greater opportunities that will benefit both countries enormously.

Promoting Good Governance through the Millennium Challenge Account

The economic picture for many of the countries of the region looks favorable. However, there are some that are in need of assistance to join the move forward. President Bush has determined that America must lead in promoting economic development in the less developed countries. Our experience -- especially in Asia -- has shown that sound economic policies and openness to trade and investment do more to spur growth than does development assistance. With this in mind, United States created the Millennium Challenge Account, which links U.S. development assistance to a proven record of good governance. In the EAP region, the Millennium Challenge Corporation has just signed a \$65 million compact grant with Vanuatu; Mongolia and East Timor are eligible to apply for Millennium Challenge assistance which is expected to be substantially larger in size; and the Philippines and Indonesia are part of the threshold program. We hope this will give other governments in the region an incentive to take a deep inward look at their practices and make necessary changes. We are also seeking the cooperation of other developed countries to advance common objectives in developing countries.

Global issues

Part and parcel of Transformational Diplomacy is the effort to address such global issues as terrorism, disease, international crime, human and narcotics trafficking, demining, internet freedom, and environmental degradation.

Although East Asia has generally rejected the extremist forms of Islam that spawn terrorists, our challenge remains to root out all vestiges of this menace. There is a growing realization throughout the region that terrorism threatens all governments and that the best way to confront this threat is by working together.

We are also continuing to look for ways to help regional states that have sovereign responsibilities for ensuring security of the vital Strait of Malacca trade route to enhance their maritime law enforcement capabilities and cooperation.

The United States believes that to advance the related objectives of improving economic and energy security, alleviating poverty, improving human health, reducing harmful air pollution, and reducing the growth of greenhouse gas emissions levels, great progress can be made by working with other nations. To this end, the United States has joined with five Asian nations -- Australia, China, India, Japan, and Republic of Korea -- to launch the Asia-Pacific Partnership on Clean Development and Climate. The Partnership will build on existing bilateral partnerships and multilateral climate change-related energy technology initiatives, including the Carbon Sequestration Leadership Forum, the International Partnership for the Hydrogen Economy, and the Methane to Markets Partnership. The First Ministerial meeting of the Asia-Pacific Partnership was successfully held on January 11-12, 2006 in Sydney, Australia. At that meeting, the ministers agreed to a Partnership Communiqué, Charter, and Work Plan that established eight public-private sector Task Forces.

Strengthening of Alliances and Partnerships

To address threats to regional peace and security, President Bush has emphasized the strengthening and revitalization of alliances. The ties we have with our five key allies and a key partner in the region have improved significantly since 2001, but the challenge of continuing this progress will occupy our time in the coming years.

Australia

The U.S. and Australia have a long history of working together as the closest of allies, and our relationship is the best it has ever been. Australia stands with us in Afghanistan and Iraq -- sending forces during the conflicts and now playing a major role in reconstruction. We worked closely with Australia, as well, on the international response to the Christmas 2004 tsunami disaster. We share a commitment in combating terrorism, international trafficking in persons, nonproliferation, and other transnational issues.

Japan

The President has called Japan “a force for peace and stability in this region, a valued member of the world community, and a trusted ally of the United States.” We continue to work closely with Japan, advancing our relations toward a more mature partnership, one in which Japan plays an increasingly effective role in advancing our mutual interests regionally and globally. We have continued to expand and deepen our alliance since then through our joint work on reconstruction in Afghanistan and Iraq -- including Japan's unprecedented

deployment of Self-Defense Forces to southern Iraq; coordination and cooperation on tsunami relief; and in deepening our bilateral strategic dialogue, including on overseas development assistance.

To ensure that the U.S.-Japan security alliance remains vital, with the capability and resources to safeguard stability and prosperity in this region, we have conducted an ongoing series of consultations with Japan at the ministerial level. In October 2005, these “2+2” consultations produced an important report underscoring our joint commitment not only to maintaining a strong and enduring alliance but to enhancing it. The report fulfills a promise made between President Bush and Prime Minister Koizumi to transform our alliance by improving its deterrent capabilities while also addressing the concerns of base-hosting communities in Japan, thus strengthening domestic support in Japan for our long-term presence.

We are hard at work now on implementation plans to assure that these important transformation and realignment initiatives are brought to fruition. This is an exceptionally ambitious undertaking. It will require effort, sacrifice and significant financial commitments on the part of both the United States and Japan consistent with the nature of our global partnership. Our aim is to reach agreement on an implementation plan by late March, and with additional hard work I believe we can meet this goal.

South Korea

We have also consolidated our partnership with South Korea. We have begun reducing our troop presence in a prudent way, at the same time enhancing our deterrent capability by restructuring and reorganizing our forces. Meanwhile, our relationship with South Korea is moving beyond its original security rationale as the nation begins to play a global political role commensurate with its economic stature. South Korea is the third-largest troop contributing state to international operations in Iraq.

Thailand

We have steadily strengthened our alliance with Thailand over the past several years. In the war against terrorism, Thailand has also been a staunch partner and ally, contributing troops to coalition efforts in Afghanistan and Iraq. The President has designated it as a Major Non-NATO Ally.

The Philippines

The Philippines is a Major Non-NATO ally and an important partner in the Global War on Terror. We work closely with the Armed Forces of the Philippines through training and exercises, to include the recently concluded Balikatan (“Shoulder to Shoulder”) exercises, in which thousands of U.S. personnel participated alongside their Philippine counterparts. It was during Balikatan that U.S. personnel were able to render assistance in the aftermath of the landslide disaster in Leyte. In addition to training and exercises, U.S. forces advise Philippine forces in addressing international terrorist threats in the Philippines. We are also engaged in a jointly-funded multi-year program called Philippine Defense Reform aimed at modernizing the structure of the Philippine defense establishment. This program is a comprehensive effort designed to produce long-term institutional improvements in such areas as operations and training, logistics, staff development and acquisitions.

Singapore

While Singapore is not a treaty ally, our partnership with it has furthered our shared interests, and the relationship had gotten closer over the past years. Our arrangements with Singapore give us access to world-class port and airfield facilities along key transportation routes. Last year, President Bush and Singapore Prime Minister Lee Hsien Loong opened a new chapter in our strong partnership by signing a bilateral “Strategic Framework Agreement” that reflects our shared desire to address common threats such as terrorism and the proliferation of weapons of mass destruction. And Singapore is playing an active role in regional efforts to safeguard the vital sea lanes that pass through the Straits of Malacca and Singapore.

Restructuring of our global defense posture

Changes in our relations with major Asian allies reflect the priorities of our Global Defense Posture Review, which aims to improve our and others’ reactions to emerging threats while we maintain the ability to address traditional ones. We are taking advantage of advances in technology that have multiplied the combat power of our individual soldiers to reduce our military footprint in Asia. At the same time, we are using our increased mobility to guarantee that we will be present when needed to help our friends and allies.

Deterring Proliferation of Weapons of Mass Destruction

Another challenge to regional and global security is the proliferation of weapons of mass destruction and the means to deliver them. While in the past we were

primarily concerned with proliferation between states, we have become more conscious that terrorist organizations could use these weapons. For this reason we initiated the Proliferation Security Initiative to stop their transit. I am pleased to say that Australia, Singapore, New Zealand, and Japan are among the participants in PSI.

Avian Influenza

Finally, there is one overarching threat to everything we are doing in the region, and that is the possibility that the current highly pathogenic strain of the avian influenza virus might mutate into a form that is easily transmissible from human to human and spread rapidly, causing panic, straining law and order, and disrupting economies. The outbreak of such a pandemic could affect all our interactions with the region. For this reason, we are embarked on an effort throughout the region to promote greater monitoring, full transparency in reporting and investigating influenza occurrences in animals and humans, and disaster management planning. We are receiving cooperation from most governments and regional and international organizations, but the closed nature of the regimes in North Korea and Burma present a real challenge to our ability to stop an outbreak before it spreads.

CONCLUSION

At their core, the United State's long-term, strategic foreign policy priorities are very simple. We want to see a world that is democratic, prosperous, stable, secure, and at peace. Our policies toward the East Asia - Pacific region are based on these global objectives, and we are engaged extensively throughout the region to advance these fundamental goals. We are embarked on an effort to use our diplomacy in new ways to assist other countries in the worldwide transformation following the Cold War toward democracy, good governance, and responsibility in the international system. We are fortunate that many of the countries of the region are already moving in a favorable direction and that we have good partners there who are willing to help. My travels through the region have given me optimism that, despite some difficult obstacles we must overcome to achieve our goals, we will see the favorable trends I mentioned at the beginning continue in the years to come.

I would now be pleased to respond to your questions.